

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 AID-05 COME-00 EB-08 FRB-01 TRSE-00

XMB-04 OPIC-06 LAB-04 EPG-02 SIL-01 OMB-01 STR-04

CEA-01 AGRE-00 EUR-12 /116 W

-----088379 270038Z /63

R 262352Z JUL 77

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3682

INFO AMEMBASSY CANBERRA

AMEMBASSY SUVA

UNCLAS SECTION 01 OF 02 WELLINGTON 03059

EO 11652. N/A

TAGS: ECON EFIN

SUBJECT NEW ZEALAND 1977 BUDGET UNVEILED

1. SUMMARY: IN JULY 21 EVENING ADDRESS TO PARLIAMENT PM MULDOON REVEALED THE GOVERNMENT'S 1977 BUDGET. DESIGNED TO DEAL WITH THE COUNTRY'S SERIOUS BALANCE OF PAYMENTS PROBLEM WHILE PROVIDING A RANGE OF SOCIAL SERVICES TO LOWER INCOME GROUPS, THIS YEAR'S FINANCIAL PLAN CALLS FOR A 382 MILLION DOLLAR DEFICIT COMPARED WITH 506 MILLION DOLLAR DEFICIT LAST YEAR. TOTAL EXPENDITURES ARE UP 18.8 PERCENT, FROM 4,504 MILLION DOLLARS TO 5,350 MILLION DOLLARS REFLECTING TO A GREAT EXTENT NEW ZEALANDERS' PRESENT DOUBLE DIGIT INFLATION.

2. OPENING REMARKS: IN HIS INITIAL STATEMENT MULDOON EMPHASIZED NEW ZEALAND'S POSITION IN THE WORLD ECONOMY. SOBER IN HIS ANALYSIS OF THE COUNTRY'S PRESENT DIFFICULTIES, THE PM WAS UNCLASSIFIED

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CAREFUL TO DIFFERENTIATE BETWEEN THOSE PROBLEMS OVER WHICH NEW ZEALAND HAD NO CONTROL AND THOSE WHICH THE COUNTRY ITSELF COULD TACKLE. FOR THE FORMER, MULDOON CALLED UPON NEW ZEALAND'S TRADING PARTNERS, INCLUDING THE US, TO TAKE A MORE LIBERAL ATTITUDE TOWARD MARKET ACCESS, SAYING, "IT WOULD ONLY REQUIRE POLICY CHANGES AT THE

MARGIN IN THE UNITED STATES, THE EEC AND JAPAN INVOLVING A MANAGED RELAXATION OF IMPORT POLICIES, TO EXPAND SIGNIFICANTLY THE VOLUME OF INTERNATIONAL TRADE IN DAIRY PRODUCTS AND BEEF". AS FOR SPECIFIC MEASURES FOR NEW ZEALAND ITSELF TO UNDERTAKE, THE NEW BUDGET CONTAINS A NUMBER OF ITEMS WHICH DIRECTLY OR INDIRECTLY RELATE TO BALANCE OF PAYMENTS QUESTIONS.

3. SPECIFIC MEASURES:

(A) RELATING TO THE EXTERNAL ACCOUNT

- EMPHASIS ON REDUCING DEMAND FOR IMPORTED FUEL THROUGH A WIDE-RANGING ENERGY POLICY REVIEW INVOLVING GREATER EMPHASIS ON UTILIZING INDIGENOUS RESOURCES
- PROMOTING GROWTH IN EXPORT CAPACITY THROUGH EXPANDED INCENTIVES IN A NUMBER OF FIELDS.

(B) MONETARY POLICY

- FURTHER MOVES TOWARDS A MORE OPEN AND COMPETITIVE INTEREST RATE SYSTEM
- FURTHER REDUCTIONS IN SAVINGS BANKS SECURITY RATIO REQUIREMENTS
- INTRODUCTION OF AN INFLATION ADJUSTED SAVINGS BOND SCHEME

(C) TAXATION

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- REBATES FOR SINGLE INCOME AND LOW INCOME FAMILIES
- REMISSION OF STAMP DUTY ON PURCHASES OF FIRST HOMES AND FARMS
- INCREASED TAXES ON BEER, SPIRITS AND TOBACCO

(D) TRANSPORT

- ANNOUNCEMENT OF RELAXED RESTRICTIONS ON ROAD TRANSPORT COMPETITION WITH RAILWAYS, TOGETHER WITH AN ANNOUNCED INTENTION TO REVIEW PRESENT ROAD TRANSPORT TAXES
- SUBSTANTIAL GOVERNMENT ASSISTANCE TO THE URBAN TRANSPORT SYSTEMS IN THE FOUR MAIN CENTRES

(E) HOUSING

- INCREASED FUNDS FOR HOUSING RESULTING FROM THE POLICIES RELATING TO SAVINGS BANKS AND A VENDOR MORTGAGE SCHEME.

OVERALL THE EFFECT OF THE MEASURES OUTLINED IN

THE BUDGET IS TO RESULT IN A BUDGET DEFICIT
BEFORE BORROWING OF 382 MILLION DOLLARS COMPARED
WITH 506 MILLION DOLLARS IN 1976-77. NET GOVERN-
MENT EXPENDITURE IS EXPECTED TO INCREASE BY
18.8 PERCENT IN 1977-78 TO 5,350 MILLION DOLLARS.

4. THE INFLATION-PROTECTED SAVINGS BONDS ARE A
PARTICULARLY NEW AND INTERESTING FEATURE.
THE BONDS WILL HAVE A MINIMUM TERM
OF FIVE YEARS AND THEIR REDEMPTION
VALUE WILL BE INCREASED IN LINE WITH
THE INCREASE IN THE CONSUMERS PRICE

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INDEX OVER THE PERIOD OF THE BOND.
THIS ADJUSTMENT WILL BE EXEMPT FROM
INCOME TAX. IN ADDITION, INTEREST
WILL BE PAID AT THE RATE OF TWO PER-
CENT PER ANNUM AND THIS WILL BE TAXABLE.
PURCHASES WILL BE LIMITED TO ONE THOUSAND
DOLLARS PER ANNUM PER INDIVIDUAL WITH
A MAXIMUM HOLDING OF FIVE THOUSAND
DOLLARS. WHAT THE EFFECT OF THIS
BOND, A NEW DEVICE IN NEW ZEALAND, WILL
HAVE ON THE COUNTRY'S MONEY MARKET IS
STILL UNCLEAR.

5. COPIES OF THE BUDGET WILL BE FORWARDED
UNDER CERP PUBLICATIONS PROGRAM. SELDEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Concepts: GOVERNMENT BUDGET
Control Number: n/a
Copy: SINGLE
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
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Legacy Key: link1977/newtext/t19770716/aaaaanum.tel
Line Count: 170
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Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:07 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:03 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
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Original Previous Classification: n/a
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Review Exemptions: n/a
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Review Release Date: n/a
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SAS ID: 1741052
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